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E.O. 12958: N/A
TAGS: [SNAR](#) [PGOV](#) [PREL](#) [PA](#)
SUBJECT: PRESIDENT INVESTIGATED FOR MONEY LAUNDERING

REF: A. A. ASUNCION 18
[1](#)B. B. ASUNCION 127

[1](#)1. (U) Prosecutors in Paraguay's financial crimes specialized unit launched an investigation February 28 against President Nicanor Duarte Frutos on suspicion of violating Paraguay's anti-money laundering statutes. The unit's lead prosecutor, Carlos Arregui, appointed two prosecutors, Rene Fernandez and Liliana Alcaraz, February 27 to investigate cash transactions involving an Interbanco bank account co-owned by Duarte and Colorado President Jose Alberto Alderete. According to the complaint filed February 22 by Deputy Rafael Filizzola, Duarte received multiple donations totaling USD 950,000 from unknown donors one week before the December 2002 Colorado primary. Filizzola claimed Duarte closed the account in February 2003 after spending the money on his presidential campaign. Filizzola also alleged that Duarte received the funds from illicit sources and alleged unlawful enrichment for accepting funds as a public official. (NOTE: Duarte resigned as education minister in January 2001 to campaign for the presidency and was not a public official at the time of the alleged money laundering. Deputy Filizzola is the Democratic Progressive Party (PDP) chairman and a supporter of opposition presidential candidate Fernando Lugo. END NOTE.)

[1](#)2. (C) Duarte dismissed the investigation February 28 as politically motivated and claimed that if drug traffickers or other illicit contributors donated to his campaign, "they helped the wrong man." He asserted that his administration has been effective in executing anti-narcotics operations, increasing government transparency, and fighting piracy. Duarte claimed that that much of his campaign funding -- but not necessarily the money in this particular account -- came from donations by businessmen Osvaldo Dominguez Dibb and Antonio Vierci, although he refused to disclose how much money he received. (NOTE: Dominguez is owner of La Nacion and Cronica newspapers and involved in the local cigarette industry. Vierci, owner of Stock supermarkets, the Ultima Hora newspaper, and Telefuturo cable channel, is a supporter of former presidential candidate Luis Castiglioni. Duarte ordered an investigation against Vierci's Stock Supermarket in Ciudad del Este December 11, on the eve of this year's Colorado primary (Ref A). END NOTE.) Financial crimes prosecutors told RLA February 28 that the investigation does not have a set timetable, but they want to resolve the case well in advance of elections. The prosecutors complained that no matter what they find in their investigation, the Colorados will attempt to use their findings for political gain (if they find nothing, by over politicizing the unit to shore up Duarte's senate candidacy and his reputation; if they find wrongdoing, by alleging the charges are political and withholding support from the courts, which Duarte controls).

13. (SBU) COMMENT: This investigation will likely have little impact on the April 20 national election. Colorado presidential hopeful Blanca Ovelar may be beginning to distance herself from Duarte, and she is polling (according to a COIN poll released February 26) in second place with 25 percent of the vote (behind Lugo's 31 percent and just ahead of Oviedo's 23 percent)(Ref B). The higher voter turnout, the more Ovelar, who has the highest negatives in the field, is likely to fall behind Lugo. Duarte enjoys political immunity as president, and if elected senator as expected, would continue to enjoy immunity from prosecution until he leaves political office, unless a majority votes to strip him. END COMMENT.

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